

**PROFESSIONAL SERVICES AGREEMENT  
BETWEEN  
THE CITY OF SURPRISE, ARIZONA  
AND  
RED OAK CONSULTING**  
Agreement Number: SAS12084

**THIS PROFESSIONAL SERVICES AGREEMENT** (this "Agreement") is made as of April 10, 2010, between the **CITY OF SURPRISE**, an Arizona municipal corporation (the "City") and **RED OAK CONSULTING**, (the "Consultant").

**AGREEMENT**

**NOW, THEREFORE**, in consideration of the foregoing recitals, which are incorporated herein by reference, and the following mutual covenants and conditions, the City and the Consultant hereby agree as follows:

1. **Term of Agreement.** This Agreement shall be effective as of the date first set forth above and shall remain in full force and effect until June 30, 2013.
2. **Scope of Work.** The Consultant shall provide the Services as set forth in the attached Scope of Work, marked as *Exhibit A* and incorporated by reference herein.
3. **Compensation.** The City shall pay the Consultant according to the attached Scope of work based on the hourly submittal for the Services, marked as *Exhibit A* and incorporated by reference herein.
4. **Payments.** The City shall pay the Consultant subject to the Consultant submitting an invoice to the City for each requested payment detailing the work completed and time. Invoices shall itemize all Services completed to the date of the invoice and provide sufficient detail to justify payment. Upon approval of the invoice, the City shall pay to the named Consultant in the contract unless otherwise indicated herein.
5. **Ownership of Documents.** All documents prepared and submitted to the City by the Consultant pursuant to this Agreement shall be the property of the City.
6. **Consultant Personnel.** The Consultant shall provide adequate, experienced personnel, capable of and devoted to the successful completion of the Services to be performed under this Agreement. The Consultant agrees to assign specific individuals to key positions. Consultant agrees that, upon commencement of the Services to be performed under this Agreement, key personnel shall not be removed or replaced without prior written notice to the City. If key personnel are not available to perform the Services for a continuous period exceeding 30 calendar days, or are expected to devote substantially less effort to the Services than initially anticipated, the Consultant shall immediately notify the City of same and shall, subject to the concurrence of the City, replace such personnel with personnel of substantially equal ability and qualifications.
7. **Inspection; Acceptance.** All work shall be subject to inspection and acceptance by the City at reasonable times during the Consultant's performance.
8. **Licenses; Materials.** The Consultant shall maintain in current status all federal, state and local licenses and permits required for the operation of the business conducted by the Consultant, including City of Surprise business license. The City has no obligation to provide the Consultant, its

employees or subcontractors any business registrations or licenses required to perform the specific services set forth in this Agreement. The City has no obligation to provide tools, equipment or material to the Consultant.

9. Performance Warranty. The Consultant warrants that the Services rendered will conform to the requirements of this Agreement and to the highest professional standards in the field.

1. Insurance.

1.1. General.

1.1.1. Insurer Qualifications. Without limiting any obligations or liabilities of the Consultant, the Contractor shall purchase and maintain, at its own expense, hereinafter stipulated minimum insurance with insurance companies duly licensed by the State of Arizona with an AM Best, Inc. rating of A- or above with policies and forms satisfactory to the City. Failure to maintain insurance as specified herein may result in termination of this Agreement at the City's option.

1.1.2. No Representation of Coverage Adequacy. By requiring insurance herein, the City does not represent that coverage and limits will be adequate to protect the Consultant. The City reserves the right to review any and all of the insurance policies and/or endorsements cited in this Agreement but have no obligation to do so. Failure to demand such evidence of full compliance with the insurance requirements set forth in this Agreement or failure to identify any insurance deficiency shall not relieve the Consultant from, nor be construed or deemed a waiver of, its obligation to maintain the required insurance at all times during the performance of this Agreement.

1.2. Insurance Requirements.

1.2.1. Contractor and subcontractors shall procure and maintain until all of their obligations have been discharged, including any warranty periods under this Contract, are satisfied, insurance against claims for injury to persons or damage to property which may arise from or in connection with the performance of the work hereunder by the Contractor, his agents, representatives, employees or subcontractors.

1.2.2. The *insurance requirements* herein are minimum requirements for this Contract and in no way limit the indemnity covenants contained in this Contract. The City in no way warrants that the minimum limits contained herein are sufficient to protect the Contractor from liabilities that might arise out of the performance of the work under this contract by the Contractor, its agents, representatives, employees or subcontractors, and Contractor is free to purchase additional insurance.

1.3. Minimum Scope and Limits of Insurance: Contractor shall provide coverage with limits of liability not less than those stated below.

1.3.1. Commercial General Liability – Occurrence Form

Policy shall include bodily injury, property damage, personal injury and broad form contractual liability coverage.

General Aggregate	\$2,000,000
Products – Completed Operations Aggregate	\$1,000,000
Personal and Advertising Injury	\$1,000,000
Blanket Contractual Liability – Written and Oral	\$1,000,000
Fire Legal Liability	\$ 50,000
Each Occurrence	\$1,000,000

The policy shall be endorsed to include the following additional insured language: ***“The City of Surprise, its departments, agencies, boards, commissions, officers, officials, agents, and employees shall be named as additional insureds with respect to liability arising out of the activities performed by or on behalf of the Contractor”.***

Policy shall contain a waiver of subrogation against the City of Surprise, its departments, agencies, boards, commissions, and its officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor.

1.3.2. **Business Automobile Liability**

Bodily Injury and Property Damage for any owned, hired, and/or non-owned vehicles used in the performance of this Contract.

Combined Single Limit (CSL)                \$1,000,000

The policy shall be endorsed to include the following additional insured language: ***“The City of Surprise, its departments, agencies, boards, commissions, officers, officials, agents, and employees shall be named as additional insureds with respect to liability arising out of the activities performed by or on behalf of the Contractor, involving automobiles owned, leased, hired or borrowed by the Contractor”.***

Policy shall contain a waiver of subrogation against the City, as departments, agencies, boards, commissions, officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor.

1.3.3. **Worker's Compensation and Employers' Liability**

Workers' Compensation	Statutory
Employers' Liability	
Each Accident	\$ 500,000
Disease – Each Employee	\$ 500,000
Disease – Policy Limit	\$1,000,000

Policy shall contain a waiver of subrogation against the City of Surprise, its departments, agencies, boards, commissions, and its officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor.

1.3.4. **Professional Liability (Errors and Omissions Liability)**

Each Claim	\$ 500,000
Annual Aggregate	\$1,000,000

- a. In the event that the professional liability insurance required by this Contract is written on a claims-made basis, Contractor warrants that any retroactive date under the policy shall precede the effective date of this Contract; and that either continuous coverage will be maintained or an extended discovery period will be exercised for a period of two (2) years beginning at the time work under this Contract is completed.
- b. The policy shall cover professional misconduct or lack of ordinary skill for those positions defined in the Scope of Work of this contract.

1.4. **Additional Insurance Requirements:** The policies shall include, or be endorsed to include, the following provisions:

The City of Surprise, its departments, agencies, boards, commissions, officers, officials, agents, and employees wherever additional insured status is required. Such additional insured shall be covered to the full limits of liability purchased by the Contractor, even if those limits of liability are in excess of

those required by this Contract.

The Contractor's insurance coverage shall be primary insurance with respect to all other available sources.

Coverage provided by the Contractor shall not be limited to the liability assumed under the indemnification provisions of this Contract.

- 1.5. Notice of Cancellation: Each insurance policy required by the insurance provisions of this Contract shall provide the required coverage and shall not be suspended, voided, canceled, or reduced in coverage or in limits except after thirty (30) days prior written notice has been given from the Consultant to the City. Such notice shall be sent directly to the City Procurement.
- 1.6. Acceptability of Insurers: Insurance is to be placed with duly licensed or approved non-admitted insurers in the state of Arizona with an "A.M. Best" rating of not less than A-VII. The City in no way warrants that the above-required minimum insurer rating is sufficient to protect the Contractor from potential insurer insolvency.
- 1.7. Verification of Coverage: Contractor shall furnish the City with a declarations page of the liability insurance policy, as well as any amendments or riders in order to verify contractual insurance requirements are being satisfied.

All certificates and endorsements are to be received and approved by the City's Procurement department before work commences. Each insurance policy required by this Contract must be in effect at or prior to commencement of work under this Contract and remain in effect for the duration of the project. Failure to maintain the insurance policies as required by this Contract, or to provide evidence of renewal, is a material breach of contract.

All certificates required by this Contract shall be sent directly to the City Procurement division. The City project/contract number, if applicable, and project description shall be noted on the certificate of insurance. The City reserves the right to require complete, certified copies of all insurance policies required by this Contract at any time.

- 1.8. Subcontractors: Contractors' certificate(s) shall include all subcontractors as insureds under its policies or Contractor shall furnish to the City separate certificates and endorsements for each subcontractor. All coverages for subcontractors shall be subject to the minimum requirements identified above.
  - 1.9. Approval: Any modification or variation from the *insurance requirements* in this Contract shall be made by the City, whose decision shall be final. Such action will not require a formal Contract amendment, but may be made by administrative action.
2. Indemnification. To the fullest extent permitted by law, the Consultant shall indemnify, defend and hold harmless the City and each council member, officer, board, commission, officers, officials, employee or agent thereof (the City and any such person being herein called an "Indemnified Party"), for, from and against any and all losses, claims, damages, liabilities, costs and expenses (including, but not limited to, reasonable attorneys' fees, claims processing, investigation, court costs and the costs of appellate proceedings) to which any such Indemnified Party may become subject, under any theory of liability whatsoever ("Claims"), insofar as such Claims (or actions in respect thereof) relate to, arise out of, or are caused by or in connection with the negligent or willful acts or omissions of work or professional services of the Consultant, its officers, employees, agents, or any tier of subcontractor in the performance of this Agreement. In consideration of the award of this contract, the Consultant agrees to waive all rights of subrogation against the City, its officers, officials, agents and employees for losses arising from the work performed by the Consultant for the City. The amount and type of insurance coverage

requirements set forth below will in no way be construed as limiting the scope of the indemnity in this Section.

12. Applicable Law; Venue. In the performance of this Agreement, the Consultant shall abide by and conform to any and all laws of the United States, State of Arizona and City of Surprise, including but not limited to, federal and state executive orders providing for equal employment and procurement opportunities, the Federal Occupational Safety and Health Act and any other federal or state laws applicable to this Agreement. This Agreement shall be governed by the laws of the State of Arizona and suit pertaining to this Agreement may be brought only in courts in the State of Arizona.

13. Termination; Cancellation.

13.1 For City's Convenience. This Agreement is for the convenience of the City and, as such, may be immediately terminated without cause after receipt by the Consultant of written notice by the City. Upon termination for convenience, the Consultant shall be paid for all undisputed services performed to the termination date.

13.2 Conflict of Interest. This Agreement is subject to the provisions of ARIZ. REV. STAT. § 38-511. The City may cancel this Agreement without penalty or further obligations by the City or any of its departments or agencies if any person significantly involved in initiating, negotiating, securing, drafting or creating this Agreement on behalf of the City or any of its departments or agencies is, at any time while the Agreement or any extension of the Agreement is in effect, an employee of any other party to the Agreement in any capacity or a consultant to any other party of the Agreement with respect to the Agreement's subject.

13.3 Gratuities. The City may, by written notice to the Consultant, cancel this Agreement if it is found by the City that gratuities, in the form of entertainment, gifts or otherwise, were offered or given by the Consultant or any agent or representative of the Consultant to any officer, agent or employee of the City for the purpose of securing this Agreement. In the event this Agreement is cancelled by the City pursuant to this provision, the City shall be entitled, in addition to any other rights and remedies, to recover or withhold from the Consultant an amount equal to 150% of the gratuity.

14. Miscellaneous.

14.1 Independent Contractor. The Consultant acknowledges and agrees that the Services provided under this Agreement are being provided as an independent contractor, not as an employee or agent of the City. The Consultant, its employees and subcontractors are not entitled to workers' compensation benefits from the City. The City does not have the authority to supervise or control the actual work of the Consultant, its employees or subcontractors. The Consultant, and not the City, shall determine the time of its performance of the services provided under this Agreement so long as the Consultant meets the requirements of its agreed scope of work as set forth in Section 2 above. The Consultant is neither prohibited from entering into other contracts nor prohibited from practicing its profession elsewhere. The City and the Consultant do not intend to nor will they combine business operations under this Agreement.

14.2 Laws and Regulations. The Consultant shall keep fully informed and shall at all times during the performance of its duties under this Agreement ensure that it and any person for whom the Consultant is responsible remains in compliance with all rules, regulations, ordinances, statutes or laws affecting the Services, including the following: (i) existing and future City and County ordinances and regulations, (ii) existing and future state and federal laws and (iii) existing and future Occupational Safety and Health Administration ("OSHA") standards.

14.3 Amendments. This Agreement may be modified only by a written amendment signed by persons duly authorized to enter into contracts on behalf of the City and the Consultant.

14.4 Provisions Required by Law. Each and every provision of law and any clause required by law to be in the Agreement will be read and enforced as though it were included herein and, if through mistake or otherwise any such provision is not inserted, or is not correctly inserted, then upon the application of either party, the Agreement will promptly be physically amended to make such insertion or correction.

14.5 Severability. The provisions of this Agreement are severable to the extent that any provision or application held to be invalid by a Court of competent jurisdiction shall not affect any other provision or application of the Agreement which may remain in effect without the invalid provision or application.

14.6 Relationship of the Parties. It is clearly understood that each party will act in its individual capacity and not as an agent, employee, partner, joint venturer, or associate of the other. An employee or agent of one party shall not be deemed or construed to be the employee or agent of the other for any purpose whatsoever. The Consultant is advised that taxes or Social Security payments will not be withheld from any City payments issued hereunder and the Consultant agrees to be fully and solely responsible for the payment of such taxes or any other tax applicable to this Agreement.

14.7 Entire Agreement; Interpretation; Parol Evidence. This Agreement represents the entire agreement of the parties with respect to its subject matter, and all previous agreements, whether oral or written, entered into prior to this Agreement are hereby revoked and superseded by this Agreement. No representations, warranties, inducements or oral agreements have been made by any of the parties except as expressly set forth herein, or in any other contemporaneous written agreement executed for the purposes of carrying out the provisions of this Agreement. This Agreement shall be construed and interpreted according to its plain meaning, and no presumption shall be deemed to apply in favor of, or against the party drafting the Agreement. The parties acknowledge and agree that each has had the opportunity to seek and utilize legal counsel in the drafting of, review of, and entry into this Agreement.

14.8 Assignment. No right or interest in this Agreement shall be assigned by the Consultant without prior, written permission of the City signed by the City Manager and no delegation of any duty of the Consultant shall be made without prior, written permission of the City signed by the City Manager. Any attempted assignment or delegation by the Consultant in violation of this provision shall be a breach of this Agreement by the Consultant.

14.9 Subcontracts. No subcontract shall be entered into by the Consultant with any other party to furnish any of the material or services specified herein without the prior written approval of the City. The Consultant is responsible for performance under this Agreement whether or not subcontractors are used.

14.10 Rights and Remedies. No provision in this Agreement shall be construed, expressly or by implication, as waiver by the City of any existing or future right and/or remedy available by law in the event of any claim of default or breach of this Agreement. The failure of the City to insist upon the strict performance of any term or condition of this Agreement or to exercise or delay the exercise of any right or remedy provided in this Agreement, or by law, or the City's acceptance of and payment for services, shall not release the Consultant from any responsibilities or obligations imposed by this Agreement or by law, and shall not be deemed a waiver of any right of the City to insist upon the strict performance of this Agreement.

14.11 Attorneys' Fees. In the event either party brings any action for any relief, declaratory or otherwise, arising out of this Agreement or on account of any breach or default hereof, the prevailing party shall be entitled to receive from the other party reasonable attorneys' fees and reasonable costs and expenses, determined by the court sitting without a jury, which shall be deemed to have accrued on the commencement of such action and shall be enforced whether or not such action is prosecuted through judgment.

14.12 Liens. All materials or services shall be free of all liens and, if the City requests, a formal release of all liens shall be delivered to the City.

14.13 Notices and Requests. Any notice or other communication required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given if (i) delivered to the party at the address set forth below, (ii) deposited in the U.S. Mail, registered or certified, return receipt requested, to the address set forth below, (iii) given to a recognized and reputable overnight delivery service, to the address set forth below or (iv) delivered by facsimile transmission to the number set forth below:

**If to the City:**

City of Surprise  
16000 North Civic Center Plaza  
Surprise, Arizona 85374-7470  
Facsimile: 623-222-1800  
Attn: Scott McCarty

**With copy to:**

Surprise City Attorney's Office  
16000 North Civic Center Plaza  
Surprise, Arizona 85374-7470  
Facsimile: 623-222-1101

**If to Consultant:**

Pat Walker  
4646 E. Van Buren Street  
Phoenix, Arizona 85008  
602-231-0131

or at such other address, and to the attention of such other person or officer, as any party may designate in writing by notice duly given pursuant to this Section. Notices shall be deemed received (i) when delivered to the party, (ii) three business days after being placed in the U.S. Mail, properly addressed, with sufficient postage, (iii) the following business day after being given to a recognized overnight delivery service, with the person giving the notice paying all required charges and instructing the delivery service to deliver on the following business day, or (iv) when received by facsimile transmission during the normal business hours of the recipient. If a copy of a notice is also given to a party's counsel or other recipient, the provisions above governing the date on which a notice is deemed to have been received by a party shall mean and refer to the date on which the party, and not its counsel or other recipient to which a copy of the notice may be sent, is deemed to have received the notice.

14.14 Confidentiality of Records. The Consultant shall establish and maintain procedures and controls that are acceptable to the City for the purpose of ensuring that information contained in its records or obtained from the City or from others in carrying out its obligations under this Agreement shall not be used or disclosed by it, its agents, officers, or employees, except as required to perform the Consultant's duties under this Agreement. Persons requesting such information should be referred to the City. The Consultant also agrees that any information pertaining to individual persons shall not be divulged other than to employees, agents or officers of the Consultant as needed for the

performance of duties under this Agreement.

14.15 Public Records. Notwithstanding any provisions of this Agreement regarding confidentiality, secrets, or protected rights, the Consultant acknowledges that all documents provided to the City may be subject to disclosure by laws related to open public records. Consequently, the Consultant understands that disclosure of some or all of the items subject to this Agreement may be required by law. In the event City receives a request for disclosure that is reasonably calculated to incorporate information that might be considered confidential by Consultant, the City agrees to provide the Consultant with notice of that request, which shall be deemed given when deposited by the City with the USPS for regular delivery to the address of the Consultant specified in 14.13. Within ten (10) days of City notice by the City, the Consultant will inform the City in writing of any objection by the Consultant to the disclosure of the requested information. Failure by the Consultant to object timely shall be deemed to waive any objection and any remedy against the City for disclosure. In the event the Consultant objects to disclosure within the time specified, the Consultant agrees to handle all aspects related to request, including properly communicating with the requestor and timely responding with information the disclosure of which the Consultant does not object thereto. Furthermore, the Consultant agrees to indemnify and hold harmless the City from any claims, actions, lawsuits, or any other controversy or remedy, in whatever form, that arises from the failure to comply with the request for information and the laws pertaining to public records, including defending the City in any legal action and payment of any penalties or judgments. This provision shall survive the termination of this Agreement.

14.16 Conflicting Terms. In the event of a conflict between the Exhibits and this Agreement, the terms of this Agreement shall govern.

14.17 Compliance with Federal Immigration Laws and Regulations. Consultant warrants that it complies with all Federal Immigration laws and regulations that relate to its employees and complies with A.R.S. § 23-214.A. Consultant acknowledges that pursuant to A.R.S. § 41-4401, a breach of this warranty is a material breach of this contract subject to penalties up to and including termination of this contract, and that the City retains the legal right to inspect the papers of any employee who works on the contract to ensure compliance with this warranty.

14.18 Prohibition on Iran investments. As required by A.R.S. §§ 35-391.06 and 35-393.06, Contractor certifies that it does not have a scrutinized business operation in either Sudan or Iran.



The parties hereto have executed this instrument as of the date and year first set forth above.

**For the “City”**

By: \_\_\_\_\_  
Chris Hillman, City Manager

**For the “Consultant”**

By: \_\_\_\_\_

Title: \_\_\_\_\_

APPROVED AS TO FORM:

\_\_\_\_\_  
Michael D. Bailey, City Attorney

*For City Internal Use only:*  
Signature for Scope/Content approval:

\_\_\_\_\_  
Department Director

Signature for Procurement/Budget Approval:

\_\_\_\_\_  
Procurement Manager

**EXHIBITS  
TO  
PROFESSIONAL SERVICES AGREEMENT  
BETWEEN  
THE CITY OF SURPRISE, ARIZONA  
AND  
CONSULTANT  
[Scopes of Work/Fee Schedule/Proposal]**

See following pages.



Mr. Scott McCarty, CPA  
Chief Financial Officer  
City of Surprise  
16000 N. Civic Center Plaza  
Surprise, AZ 85374

Subject:  
Development Agreement Review

Dear Mr. McCarty:

Thank you for the opportunity to provide a review and analysis of the numerous development agreements the City of Surprise (City) has created and adopted. The purpose of this review is to understand and assess the current and future financial impact these agreements may have with regard to the determination, implementation and assessment of development impact fees.

Red Oak will be the contracting party with the City (the prime) but it is important to note that our team includes Ms. Pat Walker. She will serve in a "lead reviewer" role and as such we will be able to capitalize on her knowledge of the City's development agreements, development impact fees and that fact that she resides in the Valley. We have a long-standing professional relationship with Ms. Walker built over the past 20 years and she has worked extensively with the City on directly relevant projects. Collectively, this team has over 75 years of local government finance and economic experience as well 40 years of development impact fee experience in Arizona and nationally.

Attached is a high level scope of work outlining the project objectives and our approach to completing this project for the City. Due to the uncertainty regarding the number of development agreements, amendments, and level of the review and analysis required for each agreement, we are proposing to be compensated on an hourly basis.

ARCADIS U.S., Inc.  
100 Fillmore Street  
Suite 200  
Denver  
Colorado 80206  
Tel 303 316 6500  
Fax 303 316 6599  
[www.arcadis-us.com](http://www.arcadis-us.com)

Red Oak Consulting  
[www.redoakconsulting.com](http://www.redoakconsulting.com)

Date:  
March 21, 2012

Contact:  
Rick Giardina

Phone:  
303.316.6505

Email:  
[Rick.Giardina@arcadis-us.com](mailto:Rick.Giardina@arcadis-us.com)



Again, thank you for this opportunity and we look forward to working with you and your staff. Please contact me at 303.316.6505 to discuss any aspect of this project.

Sincerely,

ARCADIS U.S., Inc.

A handwritten signature in blue ink that reads "Richard D. Giardina".

Richard D. Giardina, CPA  
Senior Vice President

Copies:

Pat Walker, Pat Walker Consulting LLC

Attachment: Scope of Work and Hourly Rates

## Review of Development Agreements

### Scope of Work and Hourly Rates

#### **Background**

The City of Surprise (City) has experienced financial challenges and a negative impact to the General Fund as a result of collection, accounting and reporting of information for development impact fees. Development impact fees, which are assessed to pay for infrastructure and facilities built for growth, has and will continue to be a major revenue resource for the City of Surprise. Governance which defines the requirements for development, implementation, adoption and reporting of the development impact fees is under A.R.S. 9-463.05. Recently Senate Bill 1525, a complex amendment to the Arizona State Statute was adopted, and became effective in January 1, 2012. Prior to this amendment, there have been many revisions in this Statute causing further complexities in interpreting and implementing the law.

To determine the financial condition in the City's General and Impact Fee Funds, the City is hiring two independent consultants to review the issues surrounding development impact fees. CliftonLarsonAllen, which is the City's independent audit firm (the Auditor), will audit (the audit) the process of assessing and collecting development impact fees and the accounting/recording of these funds. This involves reviewing the building permit system to determine if building permits were correctly charged development impact fees and that those fees were collected.

The City is also retaining Red Oak Consulting (RO as the prime) and Pat Walker Consulting LLC (PWC as a sub consultant to RO), hereinafter collectively referred to as Red Oak or RO, to conduct a review of the financial obligations outlined in the City's estimated 90 development agreements and the City's overall expenditure of impact fees. In fiscal year (FY) 2010-11<sup>1</sup> RO completed an analysis of the development impact fee expenditures from FY2007- FY2010<sup>2</sup>, dating back to the last development impact fee study adopted in 2007. This new project will include a review and analysis of development impact fee expenditures prior to FY2007. It will also include a review of all currently available development agreements in order to reconcile related information to the work conducted by the auditor and to determine any differences in compliance historically and the financial impact the City may experience in the future.

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<sup>1</sup> The City's fiscal year begins on July 1 each year. FY2010-11 refers to the 12 months ending June 30, 2011.

<sup>2</sup> Pat Walker, as an employee of Red Oak, participated on this project.

## **Project Approach**

Red Oak in collaboration with the City and the Auditor, is proposing the following approach to accomplish the financial and compliance review of development fee agreements for development impact fees for the City. For this review, we propose the following steps:

### *Process and Procedure Team Meeting*

The first step in this project will be a meeting to determine the role, responsibilities and approach by all members of the project team. It is expected that the meeting attendees will include: RO, the Auditor, and City of Surprise staff from the Finance, Planning, the Attorney's Office and perhaps others involved in the building permit/development impact fee assessment and collection process. The objectives of the project will be discussed and finalized, as well as the communication plan as we proceed through this project. It will be important to, at this meeting, determine the review time period; how many years the City can go back to produce a variety of financial documents, the magnitude of the project with the number of building permits issued and development agreements approved, and the process for sharing and reconciling results. It is anticipated that this meeting will take place the first week of April.

The result of this meeting will be the collaborative development (by all parties in attendance) of a set of procedures to understand and determine the historic accounting of collected development impact fees, their use and specifically the manner in which this accounting and use conforms with the applicable development agreements. Furthermore, the procedures will be designed to develop an understanding of how each development agreement would impact the determination, assessment, collection and expenditure of development impact fees already received and those to be collected in the future.

### *Communication of Findings*

RO, in coordination with the Auditor and City Staff, will participate in monthly status reports regarding the ongoing audit and the financial review and development agreement analysis until it both are completed.

### *Final Report*

RO will prepare both draft and final reports on the analysis and review of the development impact fee expenditures and the development agreements. Our final report will be available to the public. This scope of work also includes the presentation of our final report in a public meeting.

## **Project Team**

The Red Oak project team is currently planned as follows:

Red Oak Project Director – Rick Giardina, CPA, Vice President/Director of Financial Services

Lead Reviewer – Pat Walker, Pat Walker Consulting, LLC

RO Staff Reviewer – Andrew Rheem, Principal Consultant II

The full complement of Red Oak resources is available to assist on this project and specific assignments will be made based on the results of the Process and Procedure meeting.

### **Hourly Rates**

As a result of the complexity and many unknown issues surrounding this project, we cannot estimate the level of effort it will take to complete this project at this time. As a result, we are proposing to complete this project on an hourly basis. Hourly rates of the Red Oak project team are listed below:

<b>Position / Name</b>	<b>Hourly Rate</b>
Pat Walker, PWC, LLC	\$204

### **Red Oak Consulting**

Vice President / Director, Giardina	\$290
Principal Consultant II	\$275
Principal Consultant I, Rheem	\$240
Senior Consultant II	\$200
Senior Consultant I	\$188
Consultant II	\$158
Consultant I/Analyst	\$138
Administrative	\$90